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THE WHITE HOUSE
WASHINGTON

CU III - 82/1

December 20, 1962

To: General McHugh for the President

From: General Clifton

Read for Review

10/4
ST/JFK/Sm/60

JFK, NSF
Country's
Cuba - subject
Intelligence Manual, Vol III

CU-1115

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CUM - 22/2

Mr. McCone asks that the President
see these memos which were prepared in
response to questions put to him.

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20/4

JFK, NSF
Coun. to Pres
Cuba - Subject
Intelligence Manual, Vol III

CU-1116

SECRET

OCF No. 3622/62

CUM - 81/3

CENTRAL INTELLIGENCE AGENCY
Office of Current Intelligence
16 December 1962

CENTRAL INTELLIGENCE MEMORANDUM

SUBJECT: Rising World Sugar Prices and the
Effect on Cuba

1. The rise in the world sugar price from last January's 2.3¢ per pound to today's 4.3¢ reflects a weak supply outlook for 1963 combined with an anticipated normal consumption increase. Dealers on the international sugar market anticipate reduction in Cuba's production even below the 1962 figure which was probably about 4.8 million tons, against an average of six million. In addition, production will also be below 1962 levels in Western Europe, Mexico, and the United States. The US Department of Agriculture's call this week for import of an additional 90,000 tons of sugar over the existing quotas will contribute to the rising trend in the world price. In short, the outlook is for a tight supply condition throughout 1963.

2. Unless its sugar production drops off drastically, Cuba should benefit from the rise in the world price, but much will depend on Soviet policy and on Cuba's ability to find markets outside the Bloc. The Soviet Union and Communist China agreed in 1961 to pay a price of 4.0¢ for Cuban sugar, a level between the low world price and the high US premium price which ranged from 4.5¢ to 4.8¢. With the world price now above the special Soviet price to Cuba, Cuba is probably demanding an "adjustment." A clandestine source in contact with Soviet embassy officials in Havana early this month has reported, in fact, that one of the purposes of Carlos Rafael Rodriguez' current mission in Moscow is to obtain a higher price for Cuban sugar, or some other compensation for the higher world price.

3. If Cuba does not receive what it regards as a satisfactory "adjustment" from the Soviet Union,

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it will almost certainly seek to sell to free world customers on a greater scale than last year. Such a move, if it were successful, would tend to weaken sugar prices but probably not enough to prevent some benefit to Cuba.

4. If Cuba's 1963 sugar crop is about the same as this year's, there will be about 4.4 million tons available for export beginning early in the year. This year approximately 85 percent of Cuban sugar exports went to the bloc. If the same division prevails next year, the 15 percent sold in the free world would bring Cuba approximately \$63 million in foreign exchange at present prices. If Cuba were to sell half of the 4.4 million tons to the free world in 1963 at present prices, foreign exchange earnings would rise to about \$208 million, a gain of about \$145 million. Cuba receives some convertible currency from its sugar sales to the bloc. Twenty percent of the value of an unknown portion of Cuban sugar sold to the bloc is paid for in pounds sterling; the remainder is paid for in barter. This year Cuba received at least \$18 million and possibly as much as \$50 million from this source.

5. Cuba already has commitments to sell sugar to Morocco, Chile, the UAR, and certain other free world countries, and is attempting to obtain commitments for more sugar purchases in the Middle East. Japan, a traditional Cuban market taking up to a half million tons of sugar yearly, has cancelled its intended purchases for 1963. This probably would leave Western European markets as the principal targets for Cuban sugar salesmen.

JFK, NSF
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